

Winokur - Fx Disclosure issues

Koering More news releases

Harrison Upcoming audit mtg

Koering - Rethink in these earnings

TRANSITIONING TO A PROFESSIONAL PARTNERSHIP MODEL

JKS - Lots of depth in the organization. Challenge to hang onto people.
Usrly an intellectual capital company.
Harder as you get bigger. Need to create an environment to keep the
people.
Need peer environment rather than hierarchical.

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HOWEVER, ENRON NOW FACES THE TYPICAL CHALLENGES OF A HIGHLY SUCCESSFUL COMPANY

Talent retention

- Perception that “room at the top” is limited given a very young senior leadership team
- Perception that current stock options have less upside than those of the past
- Reality that several executives have become independently wealthy
- Substantial external demand for Enron talent

Market performance

- Current stock valuation implies substantial earnings growth
- Creation of additional shareholder value will require even higher growth rates
- These growth levels will require the rapid and broad development of new businesses beyond the boundaries of existing business units

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KEY ATTRIBUTES OF SUCCESSFUL PROFESSIONAL PARTNERSHIP MODELS

- ✓ **Unlimited number of senior roles (i.e., continuous growth of the partnership)**
- ✓ **Meritocracy for advancement and compensation (not tenure or hierarchy driven)**
- ✓ **Transferability of skills and flexibility to pursue multiple career paths**
- ✓ **Financial alignment (significant upside and significant risk) that creates strong sense of ownership and mutual accountability**
- ✓ **Collegiality and community fostered by common purpose and frequent ad hoc teaming/networks**
- **Non-hierarchical governance; periodic rotation and broad involvement in leadership roles and duties**
- **Strongly held set of shared values**

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CREATING A PROFESSIONAL PARTNERSHIP MODEL FOR ENRON

GOVERNANCE STRUCTURE

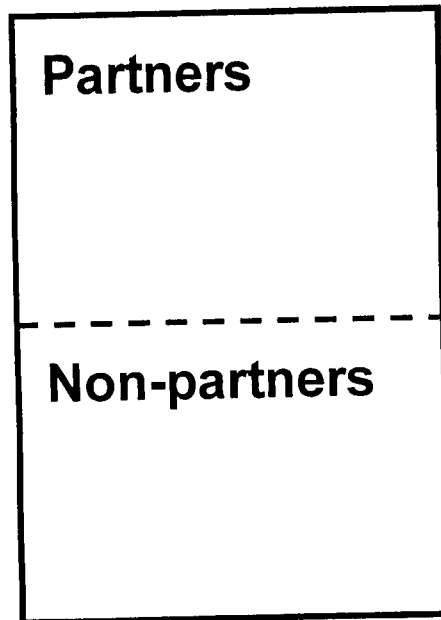
Board of Directors

- Responsibility to shareholders in appointing/removing corporate officers and authorizing major policies and strategy

Office of the Chairman

- Responsible for setting/approving overall corporate policy, personnel

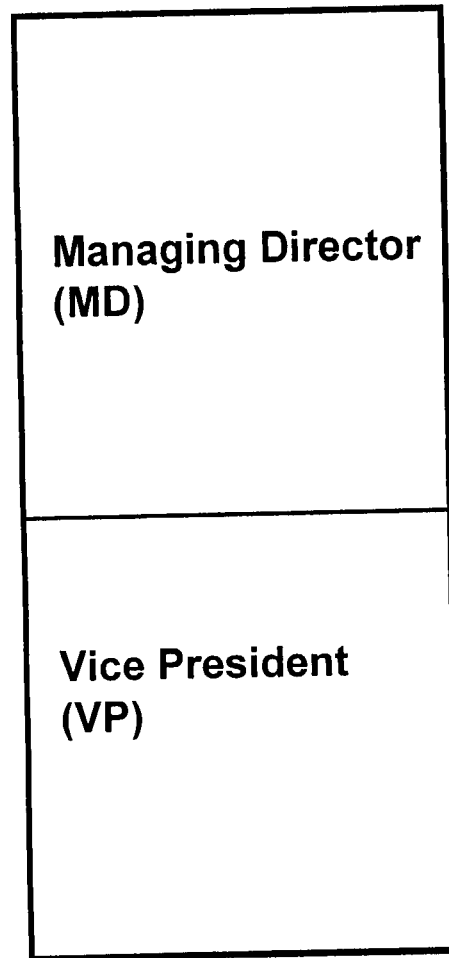
ARCHITECTURE FOR ENRON'S PARTNERSHIP



- Obligation to build the organization
 - Broad skill sets/diverse management responsibilities
 - Strong people leadership
 - Evaluated by corporate PRC (higher career/compensation risk)
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- More focused activities and roles
 - Pre-defined positions and career tracks
 - Lower compensation at risk

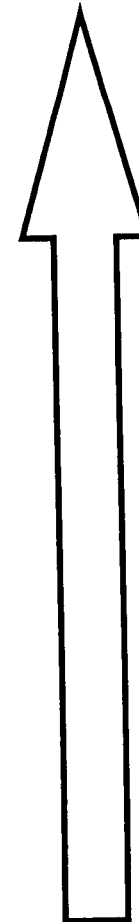
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TWO LEVELS OF PARTNERSHIP



Expectations

- Proven ability to build and grow businesses; demonstrated commercial impact
 - Extensive followership in organization
 - Responsibility to lead/participate in corporate governance
 - Extensive cross-organizational network
 - Broad, diverse skill base
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- Measurable commercial impact (direct or enabling)
 - Strong intrinsics in problem solving, people leadership, and communications
 - Deep functional skill set

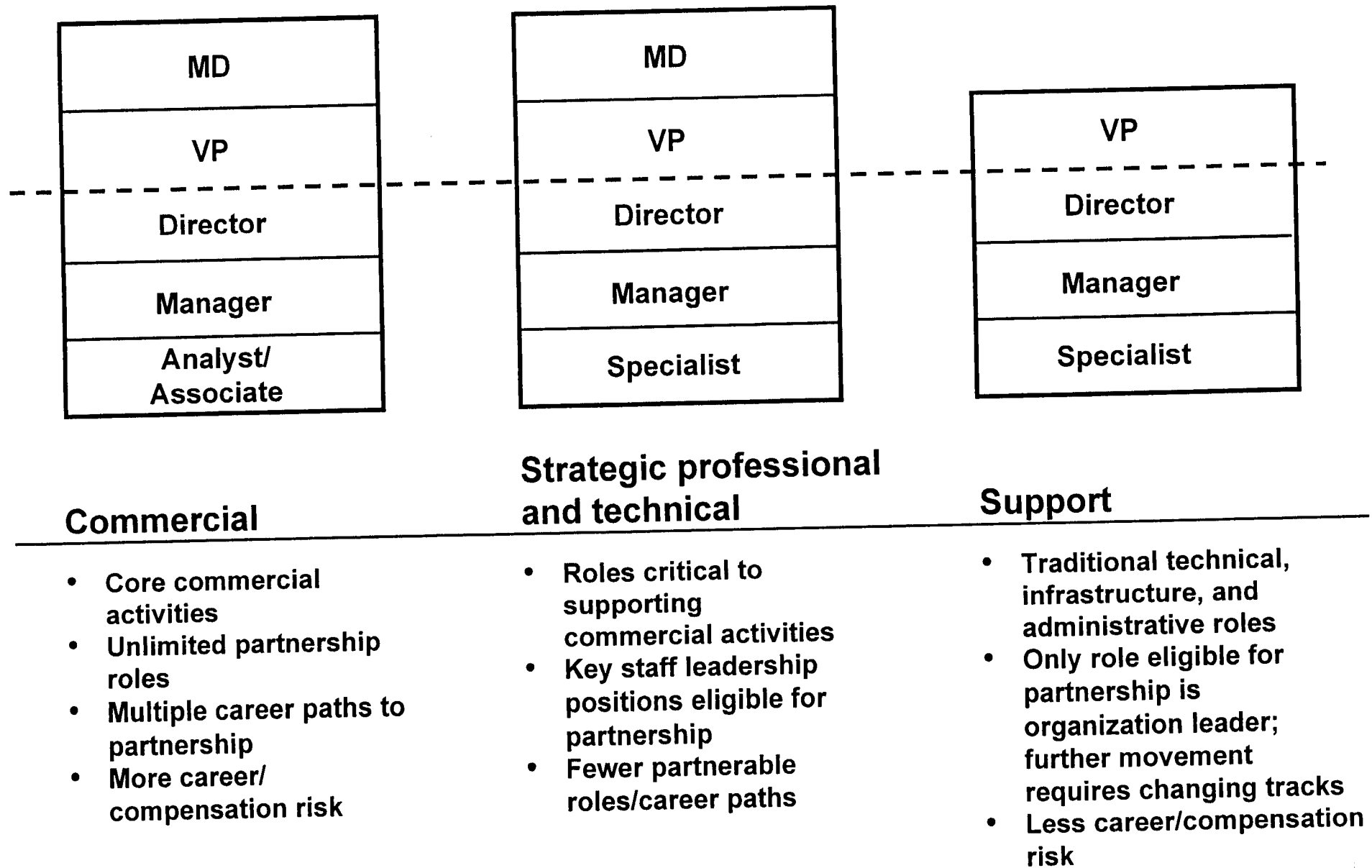


Increased

- Tenure
- Breadth and transferability of skill
- Career and compensation risk

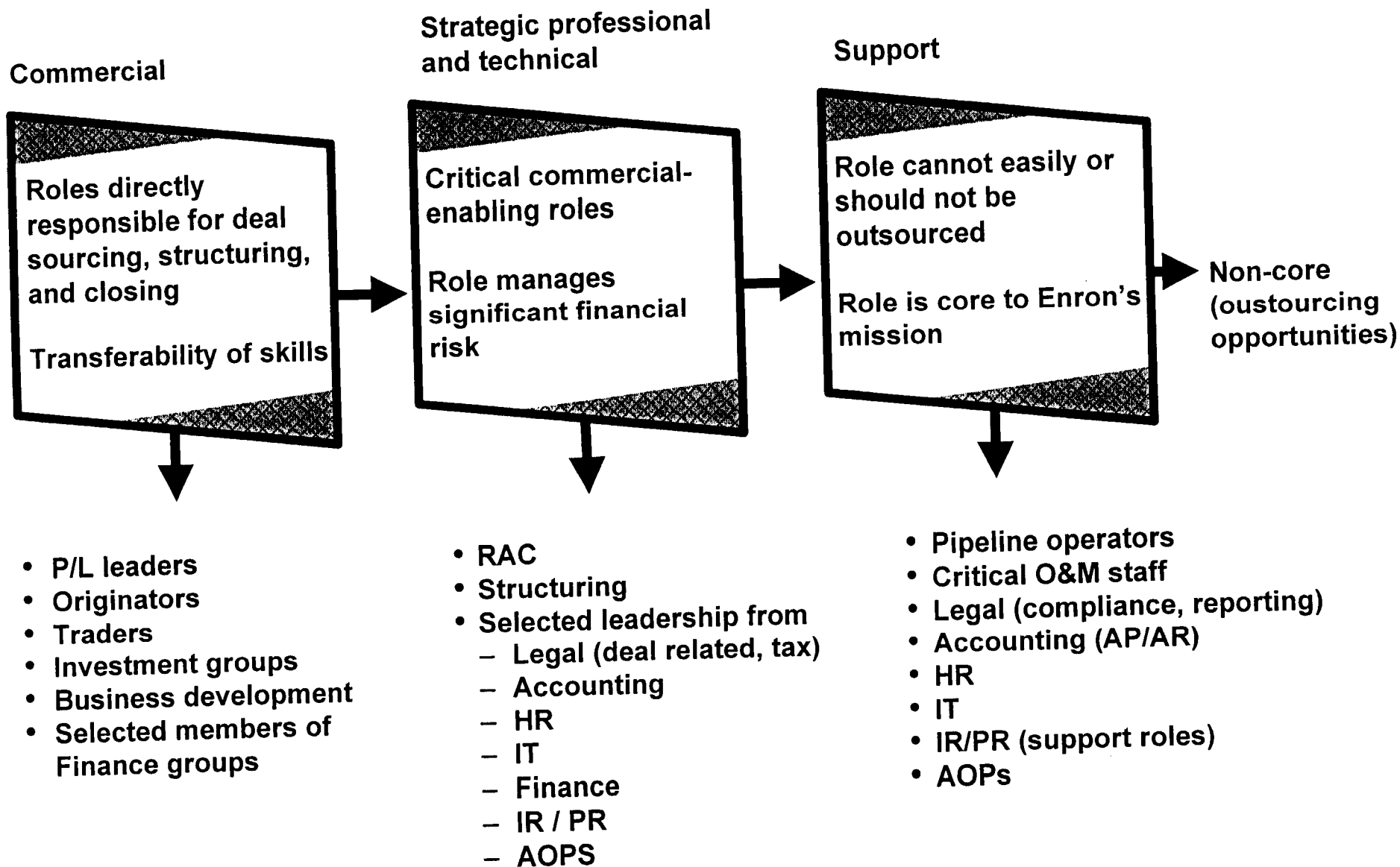
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THREE TRACKS TO PARTNERSHIP



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DEFINING PARTNERSHIP TRACKS



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PERSONNEL ROLES

Key roles

Office of the Chairman

- Evaluates, elects, and sets compensation for Corporate Policy Committee MDs
- Appoints all Corporate Policy Committee and PRC members
- Approves MD and VP compensation schemes and evaluation/election criteria

Corporate Policy Committee

- Sets MD and VP evaluation and election criteria
- Sets MD and VP compensation levels and “curve tilt”
- Hears and decides on MD and VP evaluation/election appeals
- Approves election slates from PRCs
- Determines partnerable roles

MD PRC (Corporate Policy Committee MDs and selected other MDs)

- Evaluates, ranks, and elects all MDs

Commercial/Strategic Professional and Technical VP PRC (selected MDs)

- Evaluates, ranks, and elects all Commercial and Strategic Professional and Technical VPs

Support VP PRC (selected MDs)

- Evaluates, ranks, and elects Support VPs

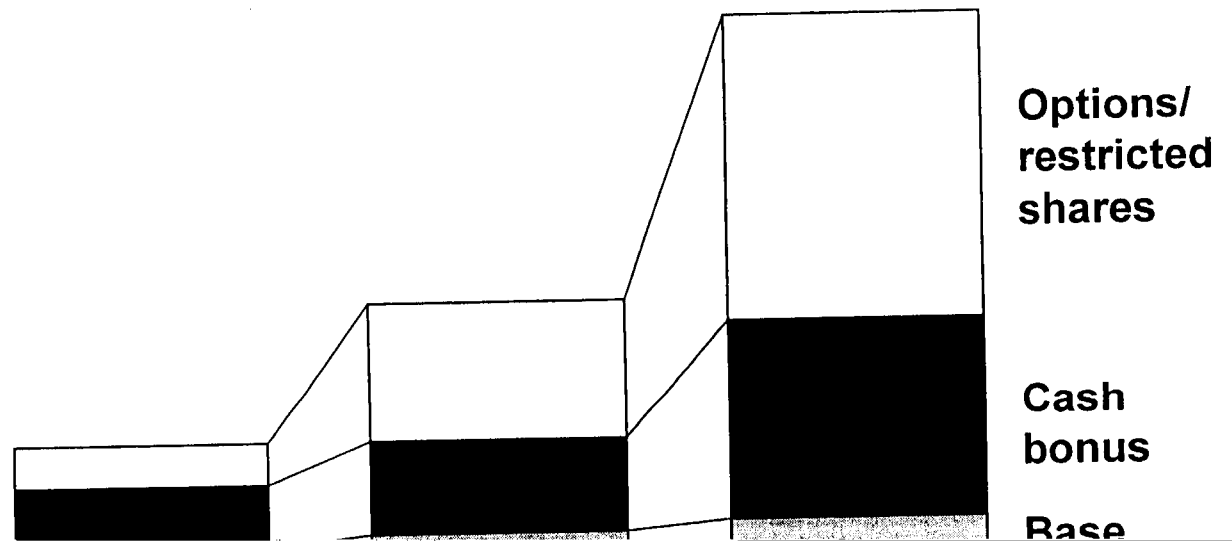
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CURRENT COMPENSATION PRINCIPLES

Compensation tenets

- Partners have more compensation at risk than a typical corporate executive
- Increasing variability/spread in compensation ranges by level

Relative level of compensation at-risk for partners



PARTNERS FOR NEW BUSINESS BUILDING VENTURES

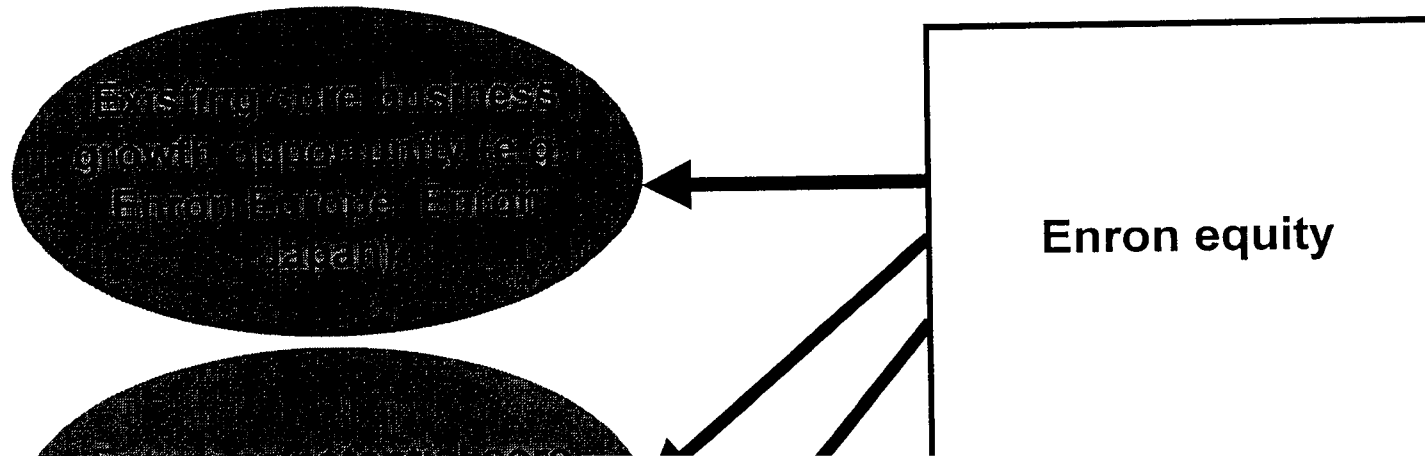
Methodology

Challenges/implications

NEW BUSINESS OPPORTUNITY CATEGORIES AND FUNDING SOURCES

Type of growth opportunity

Funding sources



IMPACT OF PARTNERSHIP INTEREST IN NEW BUSINESS GROWTH

1. Increased support across the organization for new businesses

- EES
- EBS

2. Increased accountability/“pushback” from partnership group for key decisions

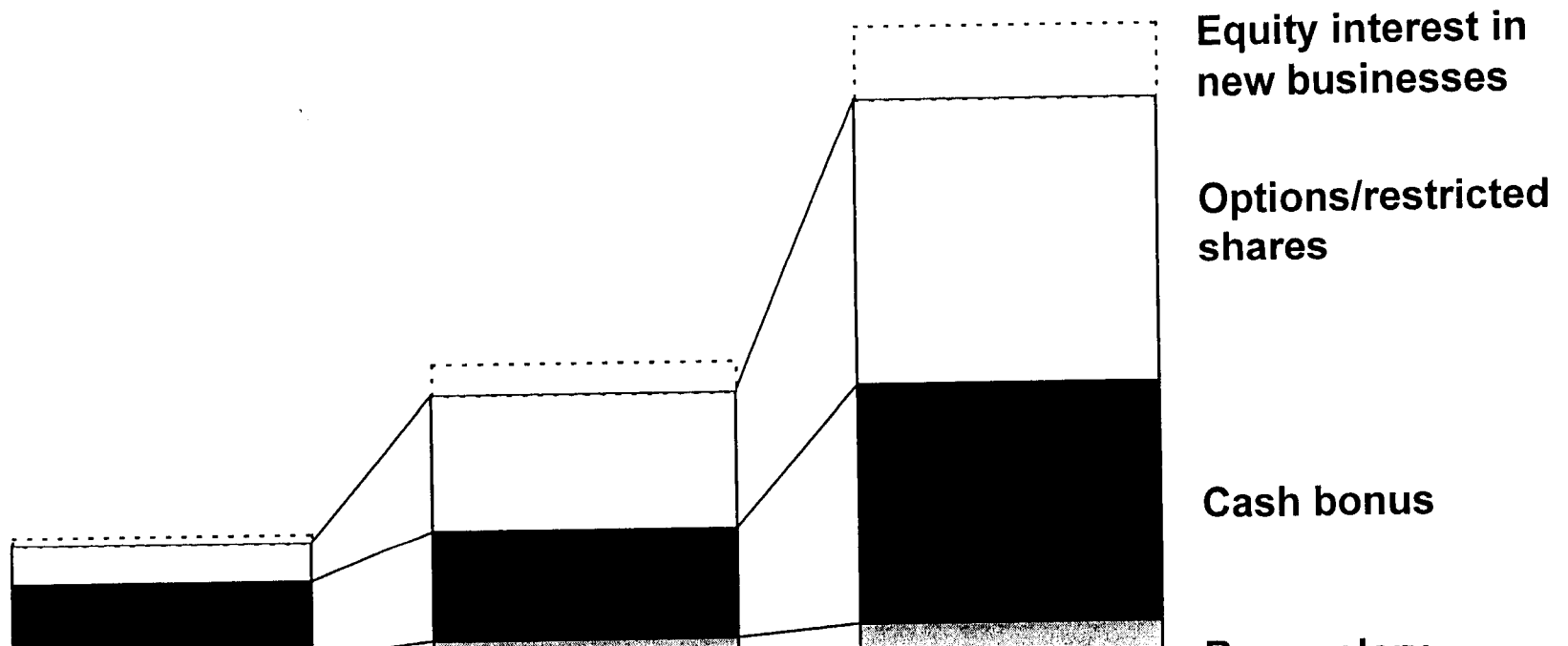
GOVERNANCE

An independent Board will ensure integrity and consistency in key compensation issues by

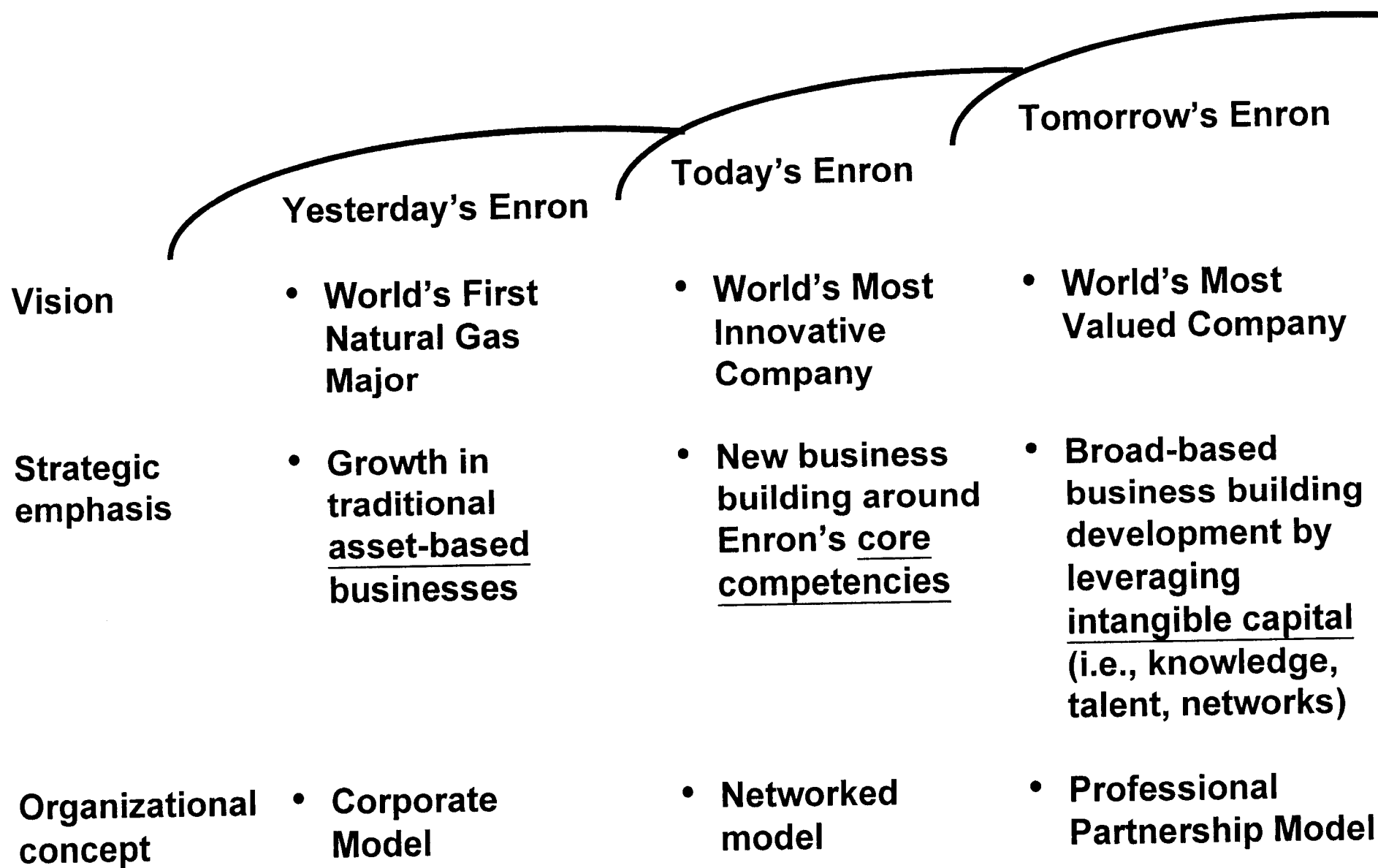
- **Identifying which new business ventures are placed in each category**
- **Determining funding sources and proportions**
- **Approving specific valuation methodology, take-out provisions, and caps**

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RELATIVE IMPACT OF HYBRID COMPENSATION APPROACH



BUILDING THE ENRON OF TOMORROW



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TRANSITIONING TO A PROFESSIONAL PARTNERSHIP MODEL

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